

ZA01
Maryland Hospital Association – Capital
Miscellaneous Grant Programs

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
Private Hospital Grant Program	\$6.000	\$6.549	\$7.000	\$7.000	\$9.000	\$10.000
Total	\$6.000	\$6.549	\$7.000	\$7.000	\$9.000	\$10.000

Fund Source	2022 Approp.	2023 Request	2024 Est.	2025 Est.	2026 Est.	2027 Est.
GO Bonds	\$6.000	\$6.549	\$7.000	\$7.000	\$9.000	\$10.000
Total	\$6.000	\$6.549	\$7.000	\$7.000	\$9.000	\$10.000

GO: general obligation

GO Bond Recommended Actions

1. Approve \$600,000 in general obligation bonds for the Greater Baltimore Medical Center.
2. Approve \$600,000 in general obligation bonds for Luminis Health Anne Arundel Medical Center.
3. Approve \$1,200,000 in general obligation bonds for MedStar Harbor Hospital.
4. Approve \$600,000 in general obligation bonds for MedStar St. Mary's Hospital.
5. Approve \$1,080,000 in general obligation bonds for Mercy Medical Center.
6. Approve \$212,000 in general obligation bonds for Meritus Medical Center.
7. Approve \$125,000 in general obligation bonds for Northwest Hospital Center, Inc.
8. Approve \$1,200,000 in general obligation bonds for Sheppard Pratt Health System, Inc.
9. Approve \$500,000 in general obligation bonds for the University of Maryland Baltimore Washington Medical Center.
10. Approve \$432,000 in general obligation bonds for the University of Maryland Medical Center Midtown Campus.
11. Approve changes to prior authorization for Luminis Health Doctor's Community Medical Center, Inc. to use grant funds for an ambulatory behavioral health services unit. This new project for the use of funds is consistent with the goals of the Maryland Hospital Association Private Hospital Grant Program.
12. Approve changes to prior authorization for Luminis Health Doctor's Community Medical Center, Inc. to use grant funds for an ambulatory behavioral health services unit. This new project for the use of funds is consistent with the goals of the Maryland Hospital Association Private Hospital Grant Program.
13. Approve changes to prior authorization for The Johns Hopkins Hospital.

Budget Overview of Grant and Loan Programs

The Private Hospital Grant Program (PHGP) provides grants to assist private hospitals in the construction and renovation of facilities that improve patient care, particularly access to primary and preventive services and to focus on unmet community health needs. Projects in the budget have been selected by a committee of hospital trustees and executives from all regions of the State. The Maryland Hospital Association (MHA) serves as the administrator for the PHGP.

The PHGP selects projects with an 11-person selection committee consisting of hospital trustees and hospital executives from throughout the State.

The committee selects projects based on the following criteria:

- how the project aligns with the goals of Maryland’s total cost of care (TCOC) model;
- how the project improves patient care by enhancing access to primary and preventive services, focuses on unmet community health and related social needs, and improves the patient safety environment;
- how the project encourages collaboration with other community partners, where appropriate; and
- where appropriate, how the project seeks to reduce potentially avoidable hospital utilization, resulting in more efficient and effective services.

Further, MHA advises that serious consideration should be given to the unique needs of hospitals that are sole community providers, are proposing projects located in underserved areas, are proposing projects of special regional or statewide significance, and are proposing projects not requiring multi-year State bond funding.

Exhibit 1 shows how the funding for the 10 projects selected in five jurisdictions is distributed for the fiscal 2023 request. The request is \$549,000 over the anticipated authorization level of \$6 million as programmed in the 2021 *Capital Improvement Program* (CIP). While the current request is more than what was programmed in the prior CIP, it is consistent with the prior appropriation levels as recently as fiscal 2021. Moreover, according to the 2022 CIP, the grant program is scheduled to receive higher levels of funding beginning in fiscal 2024 and through fiscal 2027.

**Exhibit 1
Summary of Fiscal 2023 Projects**

<u>Jurisdiction</u>	<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2023 State Funding Requested</u>	<u>State Share</u>
Anne Arundel	Luminis Health Anne Arundel Medical Center – Hybrid Operating Room: The proposed project will renovate shell space in the South Hospital Pavilion to develop a hybrid operating room (OR). While the hybrid OR will be able to support multiple surgical specialties long term, it will initially be used by the cardiac surgery team. Upon completion, Luminis Health will be decommissioning an existing OR in the Edwards Pavilion, thereby making this project capacity neutral for operating rooms, and ultimately the need for a Certificate of Need.	\$5,277,000	\$600,000	11%
Anne Arundel	University of Maryland Baltimore Washington Medical Center – Cardiovascular Care Enhancements: This project will increase the number of cardiac catheterization laboratories from two to three, replace one of the current laboratories, construct a new four-bay radial recovery lounge, build two new cardiac diagnostic testing rooms, and create staff- and patient-friendly supporting spaces. The support spaces include an updated nurses’ station with enhanced sightlines and new patient tracking technology, administrative and provider offices, a conference room, a centralized supply area, an enlarged staff locker room, and a new corridor that will improve foot traffic and patient movement. It is anticipated that these improved cardiac care services will be accessed by over 2,500 patients per year.	5,290,000	500,000	9%

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<u>Jurisdiction</u>	<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2023 State Funding Requested</u>	<u>State Share</u>
Baltimore City	MedStar Harbor Hospital – Renovation of Special Care Nursery: This project will address functional space inefficiencies and better position the Special Care Nursery at MedStar Harbor to provide high-quality care for infants requiring specialized care, including those that are born with a diagnosis of Neonatal Opioid Withdrawal Syndrome. Outcomes of this renovation will include improved health outcomes for infants who are admitted to the Medstar Harbor Hospital Special Care Nursery and a reduction in infant and parent emotional and physiological stress levels during their stay. Nurses and clinicians will benefit from a new central monitoring system and other facility upgrades, and privacy measures will allow the peer recovery coach to meet with mothers to promote addiction treatment.	2,400,000	1,200,000	50%
Baltimore City	Mercy Medical Center – Community Obstetrics and Gynecology Expansion – Mead Building Renovations: This project will renovate the third floor of the Mercy-owned Mead Building. The new facility will provide enhanced access to prenatal care and other preventive services. This project will involve renovating 6,542 net square feet and will accommodate two practices with 10 physicians, 2 certified nurse midwives, 1 nurse practitioner, and 10 staff members. The project will include 13 patient exam rooms, office space for five providers, portable ultrasound machines, and a dedicated phlebotomy lab as well as patient waiting areas and restrooms.	2,654,000	1,080,000	41%
Baltimore City	Sheppard Pratt Health System – Residential Crisis Beds in Baltimore City: This project will renovate a row home in Midtown Baltimore to develop a 16-bed hospital diversion program for individuals with serious mental illness. The proposed residential crisis services center will prioritize referrals from emergency departments (ED) and inpatient units of nearby hospitals.	4,400,000	1,200,000	27%

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<u>Jurisdiction</u>	<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2023 State Funding Requested</u>	<u>State Share</u>
Baltimore City	University of Maryland Medical Center Midtown Campus – Center for Addiction Medicine: This project will relocate and renovate the University of Maryland Medical Center Midtown Campus for Addiction Medicine. Combining two separate units into the renovated space will result in a faster intake process, rapid stabilization, continuity of care, interdepartmental collaboration, improved workflows, increased patient satisfaction, more robust services, and increased access for uninsured and underinsured patients. The expansion will include 27 new patient rooms above the 23 existing in the current space.	980,000	432,000	44%
Baltimore County	Greater Baltimore Medical Center – Wound Center Renovation: This project will relocate the Wound Center at Greater Baltimore Medical Center, currently on the fourth floor of the hospital, to the ground level in closer proximity to the adjacent parking lot. Renovations will reconfigure the small treatment rooms, widen hallways, and increase clinical space and ventilation. This project will improve patient comfort, convenience, and satisfaction in addition to health outcomes—especially for patients who are morbidly obese; elderly; and/or those who use wheelchairs, walkers, scooters, or stretchers.	\$5,263,000	\$600,000	11%
Baltimore County	Northwest Hospital Center – Interventional Radiology Project: This project will renovate 2,000 square feet of existing space within the radiology department and surgical services to create a new interventional suite that meets Facility Guidelines Institute regulations for a Class 3 space, based on the highest level of support needed by the patient. This suite will allow for the performance of a comprehensive array of complex image-guided diagnostic and therapeutic procedures, including image-guided, open procedures. This project will allow Northwest Hospital Center to offer an enhanced range of procedures such as image-guided biopsies, imaging for patients who need clinical monitoring, percutaneous/minimally invasive procedures conducted under image guidance, and noninvasive fluoroscopy procedures. This renovation will minimize the need for patient transfers outside the facility for higher acuity interventional radiology procedures.	\$2,035,000	\$125,000	6%

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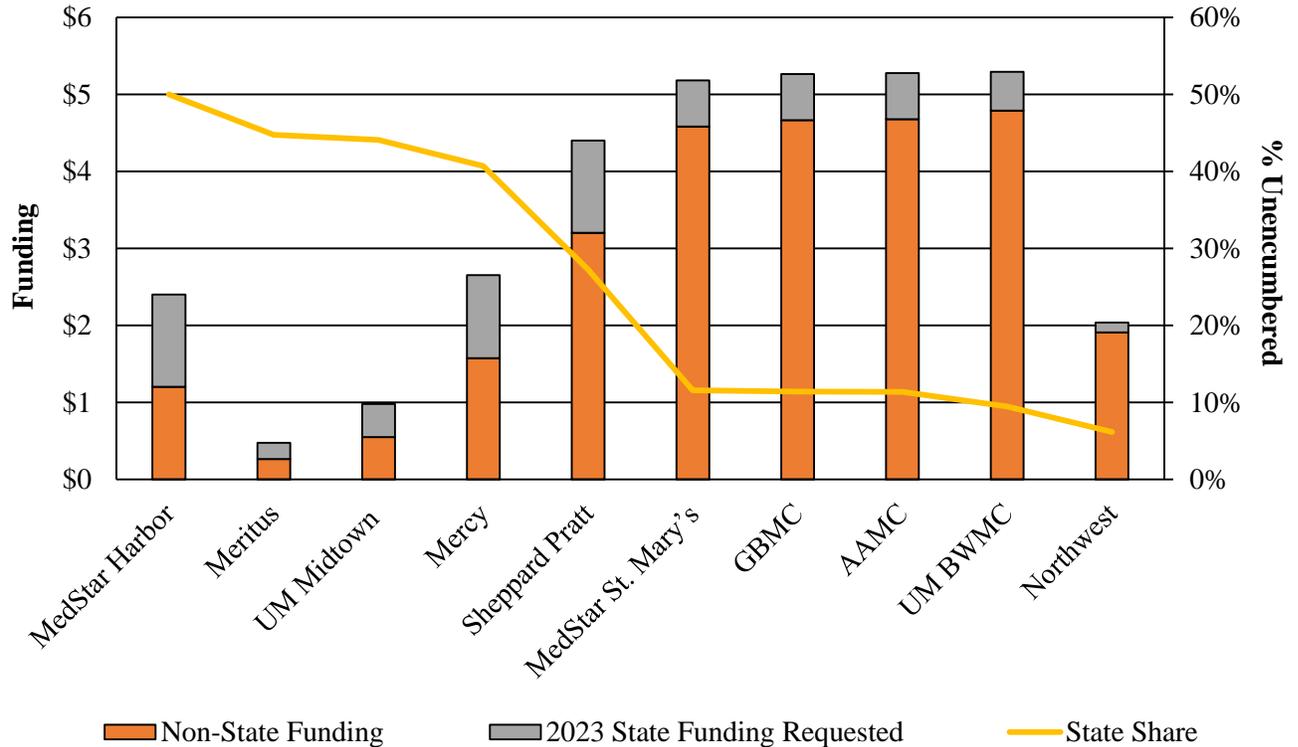
<u>Jurisdiction</u>	<u>Project and Description</u>	<u>Estimated Total Costs</u>	<u>2023 State Funding Requested</u>	<u>State Share</u>
St. Mary’s	MedStar St. Mary’s Hospital – Surgical Sterilization Capacity Upgrades: This project will renovate the existing under-resourced Sterile Processing Department at MedStar St. Mary’s Hospital to meet industry guidelines and continue to address the surgical needs of a growing St. Mary’s County. The proposed renovations and the procurement of modern sterilization equipment that has a long service life will improve sterilization efficiency, thereby increasing the hospital’s capacity to perform safe, necessary surgeries. The project will allow the hospital to continue its upward trajectory for the recruitment of specialized surgeons and to increase its capacity to provide sterilization services to the surrounding community medical practices.	\$5,182,000	\$600,000	12%
Washington	Meritus Medical Center – Behavioral Health Opioid Crisis Beds: This project will convert existing hospital space to provide six substance use crisis beds, the only crisis beds in Washington County not requiring a primary psychiatric diagnosis. The space will provide voluntary step-down interventions, diverting the need for inpatient hospitalization and unnecessary ED utilization. Individuals with substance use disorder crisis needs will be able to stay in stabilization beds until referral and transfer to outside treatment facilities is secured.	\$ 474,000	\$212,000	45%
Total		\$33,955,000	\$6,549,000	19%

Source: Governor’s Fiscal 2023 *Capital Improvement Plan*

Three of the 10 project selected address behavioral health needs, with crisis beds expansion in two projects and expanded medication-assisted treatment (MAT) capacity in the other. Two projects address the needs of specialty populations of mothers and young children with obstetrics and gynecology and a project that expands capacity for the treatment of neonatal opioid withdrawal syndrome (NOWS) for newborns. Other projects expand or improve upon surgical capacity.

In general, the projects selected are larger this year than in prior years, with four projects expected to cost more than \$5 million and another four above \$2 million. **Exhibit 2** shows the total project costs and State’s share across this year’s selections.

Exhibit 2
Distribution of PHGP Projects by Size and State Share
Fiscal 2023
(\$ in Millions)



AAMC: Luminis Health Anne Arundel Medical Center
 BWMC: Baltimore Washington Medical Center
 GBMC: Greater Baltimore Medical Center
 PHGP: Private Hospital Grant Program
 UM: University of Maryland

Source: Governor’s Fiscal 2023 *Capital Improvement Plan*

The largest amount recommended by the CIP is \$1.2 million, which was provided to the Sheppard Pratt Health System and MedStar Harbor Hospital projects for residential crisis beds and Nows treatment, respectively. The next largest recommendation of \$1.1 million to Mercy Medical Center represents the other labor and delivery-related project. These three projects scored as innovative, address a high need within their communities, and represent over half of the total funding recommendations made. The Meritus Medical Center project also scored very high in the evaluation’s committee recommendation; however, it is a smaller overall project need but received one of the largest State share recommendations.

Issues

1. Funding for Hospital Projects Outside of Grant Program and Program Oversight

The PHGP has a rigorous evaluation and awarding process that includes the submission of substantial information and presentations by each of the prospective grantees to which both the Department of Legislative Services (DLS) and the Department of Budget and Management (DBM) are annually invited to attend. Some of the various goals and considerations of this program are discussed previously. MHA has certain other rules, goals, and sanctions associated with the program, including “If a hospital does not apply for funds via the MHA program, then has a bond bill introduced outside of the program, the hospital is prohibited from submitting an application for two years.”

This sanction associated with the program has traditionally limited funding for private hospitals to the PHGP outside of the broader bond bills for very large projects outside of the scope of the PHGP with occasional exceptions. However, in the Governor’s fiscal 2023 CIP, DLS was able to identify 10 different miscellaneous capital projects associated with MHA members. These proposed other projects are listed below in **Exhibit 3**.

Exhibit 3 Hospital Projects Outside Private Hospital Grant Program Fiscal 2023

<u>Jurisdiction</u>	<u>Project Name</u>	<u>Funding Proposed</u>
Allegany	UPMC Western Maryland – Children’s Specialty Clinic	\$375,000
Allegany	UPMC Western Maryland – New Heart and Vascular Institute	2,400,000
Baltimore City	Johns Hopkins Health System – New Medical Research Building	7,500,000
Baltimore City	Lifefridge Health – Sinai Hospital Emergency Department Renovations	2,500,000
Baltimore City	Kennedy Krieger Institute – Center for the Neuroscience of Social Injustice	1,250,000
Baltimore City	Kennedy Krieger Institute – LEAP Facility Renovation and Expansion	2,500,000
Baltimore County	Sheppard Pratt – Utility Infrastructure	2,500,000
Frederick	Sheppard Pratt – Frederick County Psychiatric Rehabilitation Program	847,000
Montgomery	Sheppard Pratt – Rockville Campus Window Replacement	400,000
Prince George’s	Fort Washington Medical Center	1,542,000
Total Miscellaneous Grant Funding for Maryland Hospital Association Members		\$21,814,000

UPMC: University of Pittsburgh Medical Center

Source: Governor’s Fiscal 2023 *Capital Improvement Plan*

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As shown, six different MHA members would receive funding outside of the PHGP for fiscal 2023, for amounts over three times what is currently budgeted for in the PHGP. In fact, one miscellaneous project surpasses the entire total allocated for the PHGP, \$7.5 million for The Johns Hopkins Health System – New Medical Research Building. Sheppard Pratt Health System, who receives a recommendation for funding in the current PHGP, is recommended for \$3.75 million in miscellaneous projects, three times the amount it is receiving for the PHGP. Some of the projects proposed for funding in the miscellaneous grant program appear to be less in line with the State’s TCOC model, or less patient care centered, and would have likely been unsuccessful through the PHGP (e.g., Sheppard Pratt Health System’s replacement of windows or improvements to utility infrastructure). Others, however, may have very well fit within the PHGP’s evaluation criteria.

One of the benefits of the PHGP is the rigor in which the committee evaluates program funding requests and the oversight that MHA provides for its projects in the intervening years. There is much less scrutiny, evaluation, and oversight when it comes to projects funded through the remaining miscellaneous capital program. For instance, the MHA program requires applicants to have received necessary regulatory approval for projects from the respective health commissions in the State (e.g., Certificates of Need from the Maryland Health Care Commission or rate approvals/exemptions from the Health Services Cost Review Commission). DLS is unable to ascertain if this proper regulatory approval has been required or acquired for projects presented through the miscellaneous program.

Another benefit of the PHGP is the streamlining and coordination of oversight for the hospital grant programs. For instance, the current capital budget as introduced includes three amendments to prior authorizations:

- two of which extend the authorization through fiscal 2024 and amend project scopes to an ambulatory behavioral health services unit for Luminis Health Doctor’s Community Medical Center; and
- the third slightly changes the scope of the prior grant for The Johns Hopkins Hospital.

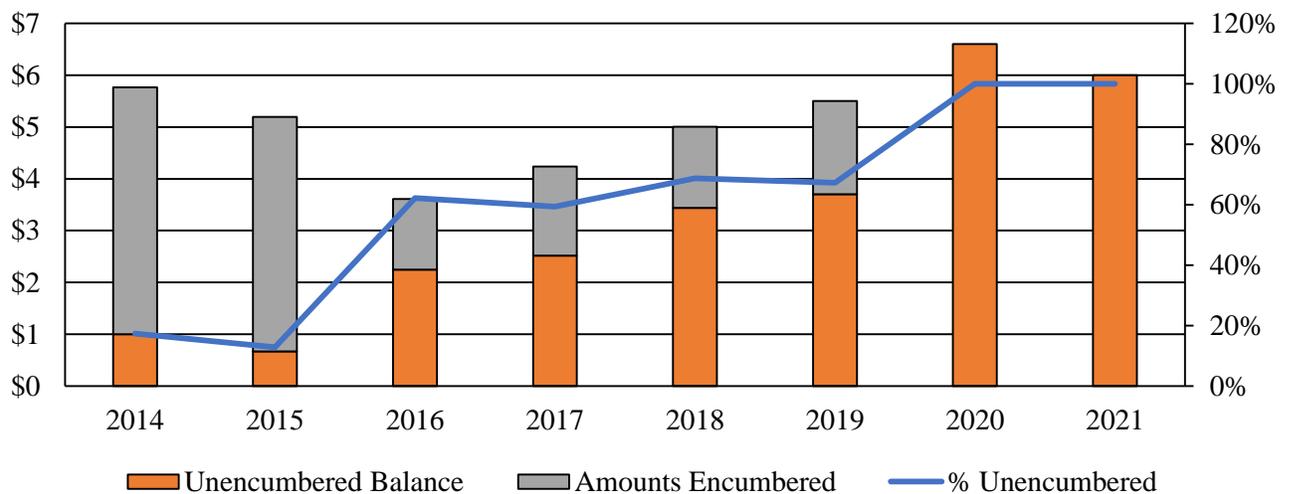
Such amendments are coordinated between MHA, DBM, and DLS as opposed to an individual grantee seeking legislative sponsorship of an amendment that would not receive the same level of scrutiny and oversight.

The change to prior authorization for the Luminis Health Doctor’s Community Medical Center is part of a partnership with Prince George’s County for a facility on the hospital campus that will provide eight residential crisis beds, mental health adult and adolescent Partial Hospitalization Programs and Intensive Outpatient Programs (IOP); substance use disorder adult IOPs and outpatient treatment including MAT; Outpatient Mental Health Center service to include adult and youth outpatient therapy and medication management; and walk-in assessment and crisis stabilization services. MHA reports engaging with the grantee hospital prior to the submission for this prior authorization, and the use of funding for the new project is consistent with the goals of the PHGP. The prior projects were smaller in scope than the new proposed use of funding but were both related to outpatient services in the community. However, these projects as initially conceptualized encountered roadblocks related to securing locations for the facilities, and the onset of the pandemic further delayed

and ultimately canceled the prior plans. DLS and the Maryland Department of Health acknowledge that the wholesale change of PHGP funds through prior authorizations is relatively rare, and MHA believes that this is necessitated by the unique capital planning circumstances for the prior projects and the timing of the pandemic during the lifecycle of these two grants in question.

The coordination that takes place stems from a 2016 *Joint Chairmen’s Report* in which the committee’s requested closer monitoring of the status of MHA grants to facilitate oversight when amendments might be necessary. This layer of oversight is nonexistent with grants through the miscellaneous capital program. This project scrutiny also allows for better monitoring of project encumbrances. **Exhibit 4** reflects the current encumbrance levels for previous State MHA grant authorizations. Since MHA grants are provided on a matching funds basis, which requires the expenditure of the grant match before encumbrance and expenditure of the State grant funds, there is some lag in encumbrances that is normal for matching fund grants. DLS notes that there is a fairly high proportionate share of State grant funds authorized in the 2018 and 2019 sessions that remain unencumbered, which is attributable to the impact that the COVID-19 pandemic has had on the execution of capital projects the past two years.

Exhibit 4
Unencumbered Balances by Year of Authorization
Fiscal 2014-2021
(\$ in Millions)



Source: Maryland Hospital Association

Of the grants nearing the end of their funding term (those issued in fiscal 2014 and 2015), MHA reports they have either already been extended or are still on track to have State funds expended prior to the end of the grant term.